

## Message Text

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46

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 OPIC-06 XMB-04 FEA-01

AGR-10 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02

INR-07 INT-05 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /117 W

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R 071315Z AUG 75

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 2110

UNCLAS NICOSIA 2434

E. O. 11652: N/A

TAGS: EIND EINV

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATUSTICS

REF: A. STATE 165596

B. NICOSIA A-57 OF APRIL 6, 1975

C. NICOSIA A-45 OF APRIL 9, 1974

1. PER INSTRUCTIONS REF A, BELOW ARE NARRATIVE STATEMENTS ON CURRENT INVESTMENT CLIMATE AND ESTIMATES OF DIRECT FOREIGN INVESTMENTS (DFI) IN CYPRUS AS OF END 1974. THE NARRATIVE RELATES ONLY TO THE GOC CONTROLLED SOUTHERN PART OF THE ISLAND. THE INVESTMENT CLIMATE IN THE TURKISH-CONTROLLED NORTH IS UNCLEAR; ANALYSIS AND COMMENT REGARDING FOREIGN INVESTMENT CLIMATE THERE MUST AWAIT A CLARIFICATION OF THE ISLAND'S POLITICAL SITUATION. BOKK VALUE FIGURES ARE FOR THE WHOLE ISLAND. THIS CABLE SUPERSEDES REF B AND C.

2. NARRATIVE: THE GOVERNMENT OF CYPRUS IS SHOWING RENEWED INTEREST IN PROMOTING FOREIGN INVESTMENTS, MAINLY IN THE IMPORT SUBSTITUTION AND EXPORT SECTOR AS WELL AS IN INDUSTRIES WHICH BRING TECHNOLOGY OR OTHER KNOW-HOW NOT UNCLASSIFIED

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PRESENTLY AVAILABLE IN CYPRUS. FOREIGN INVESTMENTS IN

THESE FIELDS ARE NOT LIKELY TO HAVE DIFFICULTIES IN OBTAINING EXCEPTIONS TO THE RULE THAT MAJORITY HOLDERS OF NEW ENTERPRISES MUST BE CYPRIOT. PRESENT GOVERNMENT REGULATIONS PERMIT 100 PERCENT HARD CURRENCY REPATRIATION OF LOCAL PROFITS. REGULATIONS CONCERNING THE EMPLOYMENT OF FOREIGNERS ARE FLEXIBLE WHERE THE LOCAL LABOR POOL CANNOT MEET THE NEEDS, BUT WHERE CYPRIOTS ARE QUALIFIED FOREIGNERS ARE NOT PERMITTED TO FILL POSITIONS. NEW DIRECT FOREIGN INVESTMENTS IN COMMERCE AND BANKING ARE NOT PERMITTED.

3. THE CYPRUS GOVERNMENT HAS COMPILED A PROGRAM OF INCENTIVES TO ATTRACT POTENTIAL FOREIGN INVESTORS. INCENTIVES INCLUDE FREE ENTRY OF CAPITAL GOODS, THE OFFER OF A BUILDING SITE OR A BUILDING IN AN INDUSTRIAL ESTATE AT LOW RENT, RAPID DEPRECIATION ALLOWANCES AND THE POSSIBILITY OF TARIFF PROTECTION DURING THE INDUSTRY'S FORMATIVE YEARS. CERTAIN TAX ADVANTAGES ARE ALSO GRANTED NEW INDUSTRIES. THE GOVERNMENT IS PRESENTLY DRAWING UP THE FINAL PLANS FOR A FREE INDUSTRIAL ZONE AND A FREE TRADE ZONE WHICH ARE DESIGNED TO ATTRACT BROAD FOREIGN INTERESTS. A DOUBLE TAXATION AGREEMENT BETWEEN THE UNITED STATES AND CYPRUS IS PENDING.

4. DIRECT INVESTMENT FIGURES, BOOK VALUE (NOT NET WORTH), AT END 1974, EMBASSY ESTIMATES: INFO KEYED TO REF A  
PARA 7:

A) US DFI. TOTAL: \$52 MILLION. MINING: \$44 MILLION.  
PETROLEUM: \$8 MILLION. OTHER: NONE

B) ALL COUNTRIES. TOTAL: \$180 MILLION. TOP THREE  
OTHER COUNTRIES: \$110 MILLION.

C) DFI IN US: NONE.  
CRAWFORD

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## Message Attributes

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